

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2018-318-E

IN THE MATTER OF:

Application of Duke Energy Progress, LLC)	REBUTTAL TESTIMONY OF
For Adjustments in Electric Rate Schedules)	BARBARA A. COPPOLA
and Tariffs and Request for an Accounting)	FOR DUKE ENERGY
Order)	PROGRESS, LLC

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, TITLE, AND**
3 **BUSINESS ADDRESS.**

4 A. My name is Barbara A. Coppola. My business address is 400 South
5 Tryon Street, Charlotte, North Carolina. I am employed by Duke
6 Energy Business Services, LLC, as Manager, Grid Solutions and
7 Strategy. In my previous role, I worked with our Fuels and System
8 Optimization organization and was responsible for administering
9 contracts and arrangements for the acquisition of reagents for our
10 power generating fleets as well as the disposition of certain power
11 generation by-products that can be sold for beneficial reuse.

12 **Q. ON WHOSE BEHALF ARE YOU SUBMITTING THIS**
13 **REBUTTAL TESTIMONY?**

14 A. I am submitting this rebuttal testimony on behalf of Duke Energy
15 Progress, LLC (“DE Progress,” or the “Company”).

16 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?**

17 A. No, I did not. I am responding to certain issues raised by ORS
18 witnesses in their pre-filed testimony on March 4, 2019.

19 **Q. PLEASE DISCUSS THE PURPOSE OF YOUR REBUTTAL**
20 **TESTIMONY.**

21 A. The purpose of my rebuttal testimony is to address issues raised by
22 ORS witness Morgan regarding litigation and other costs related to a
23 contract that the Company executed with CertainTEED Gypsum, NC,

1 Inc. ("CertainTEED") and the resulting proposed adjustments in ORS
2 witness Major's testimony.

3 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

4 A. Mr. Morgan recommends two disallowances from the Company's
5 request in this proceeding relating to a contract that the Company
6 entered into with CertainTEED to supply gypsum, (a by-product that is
7 produced by some of the Company's coal-fired power plants), to
8 CertainTeed for beneficial reuse in their operations. Witness Morgan
9 contends that litigation fees that the Company incurred to enforce the
10 terms and conditions of that contract as well as payments made for
11 underlying obligations in that contract should not be recovered from
12 South Carolina customers because they are not related to providing
13 adequate electrical service to customers and customers derived no
14 benefit from these expenditures. I disagree with Mr. Morgan on both
15 of his assertions and explain how contractual arrangements like the
16 one at issue here benefit customers and help lower the amount of costs
17 that they otherwise would have to pay for power generation.

18 **Q. HOW DO YOU RESPOND TO WITNESS MORGAN'S**
19 **ASSERTION THAT ARRANGMENTS LIKE THE ONE WITH**
20 **CERTAINTTEED DO NOT RELATE TO PROVIDING**
21 **ADEQUATE ELECTRICAL SERVICE TO CUSTOMERS?**

22 A. Mr. Morgan's position does not make sense to me. It is undisputed
23 that environmental control equipment installed on the Company's

1 coal-fired generation plants (frequently referred to as scrubbers)
2 produce gypsum as a by-product of its operation. The sole reason that
3 this by-product is produced is that required environmental controls on
4 our power plants are producing it. The sole reason that these power
5 plants are operating is to provide adequate electric service to
6 customers. Therefore, I do not understand how Mr. Morgan can
7 reasonably contend that contracts entered into to deal with by-products
8 produced from generation plants that are operated solely for the
9 purpose of providing power to our customers are not related to the
10 adequate provision of electric service to those customers. Said another
11 way, but for those power plants operating, there would be no gypsum
12 to dispose of and thus, no contracts for its disposal.

13 **Q. HOW DO YOU RESPOND TO WITNESS MORGAN'S**
14 **ASSERTION THAT ARRANGMENTS LIKE THE ONE WITH**
15 **CERTAINTTEED DO NOT BENEFIT CUSTOMERS?**

16 I am also confused by this argument. The Company has two choices
17 with what to do with this gypsum by-product and those are to dispose
18 of it at a cost to customers (such as placing it in a landfill) or sell it to
19 companies like CertainTEED, who can use the gypsum for products
20 that they produce and then give customers the proceeds that the
21 Company receives for those sales. It logically follows that customers
22 would prefer to receive payment for selling a by-product to someone
23 who can use it for a beneficial purpose rather than paying a cost to

1 bury that same by-product in a landfill. This benefit to customers is
2 why the Company entered into the subject contract with CertainTEED
3 and it belies Mr. Morgan's contention that arrangements such as this
4 one do not benefit customers. I cannot rationally believe that ORS
5 would rather have the Company charge customers to bury this gypsum
6 in a landfill rather than sell it to companies that can use it and provide
7 customers payments for that sale.

8 **Q. HOW DO YOU RESPOND TO WITNESS MORGAN'S**
9 **ASSERTION THAT THE COMPANY BREACHED ITS**
10 **CONTRACT WITH CERTAINTEED AND THAT SOUTH**
11 **CAROLINA CUSTOMERS SHOULD NOT HAVE TO PAY FOR**
12 **LEGAL FEES ASSOCIATED WITH LAWSUITS OVER THIS**
13 **ALLEGED BREACH?**

14 I disagree that the Company breached its contract, and I also disagree
15 that legal fees that the Company incurs to defend itself in lawsuits are
16 not proper for recovery from customers. Company witness Wright
17 addresses regulatory policy issues regarding the recovery of legal fees
18 from customers as a general matter, and I defer to him on issues of
19 regulatory policy. However, I do note that just because a counter party
20 to a contract alleges that the Company breached a contract does not
21 make that allegation true. That is why the Company reasonably incurs
22 legal costs to defend itself in lawsuits where such allegations are made
23 for the benefit of our customers. If Mr. Morgan's position is taken to

1 its logical conclusion, the Company would never enter into any
2 contracts for fear that it would be deemed to be at fault just because a
3 counter party made an allegation of fault and further, the Company
4 would be left to not defend that allegation due to legal expenses being
5 considered a waste of customer money by the ORS.

6 **Q. DOES MR. MORGAN OR ANY OTHER WITNESS CONTEND**
7 **THAT THE COMPANY WAS IMPRUDENT IN ENTERING**
8 **INTO, EXECUTING, OR DEFENDING THE CONTRACT**
9 **WITH CERTAINTY?**

10 A. No. While Mr. Morgan states that the Company breached this contract
11 by pointing to a North Carolina Superior Court decision, he goes on to
12 make clear that the lower's court's decision was appealed and that the
13 parties eventually entered into a settlement agreement to resolve this
14 issue. Neither Mr. Morgan nor any other witness has contended that
15 this settlement was imprudent or unreasonable.

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17 A. Yes.